

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name FIRE DISTRICT AUBURN-WILLIAMS	County BAY
Audit Date DECEMBER 31, 2004	Opinion Date MARCH 18, 2005	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

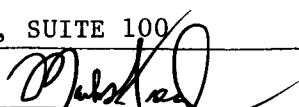
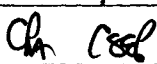
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ yes ☐ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BURNSIDE & LANG, P.C.			
Street Address 5915 EASTMAN AVE., SUITE 100	City MIDLAND	State MI	ZIP 48640
Accountant Signature   6/1/05			

**AUBURN-WILLIAMS  
FIRE PROTECTION DISTRICT  
BAY COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

## **AUBURN-WILLIAMS FIRE PROTECTION DISTRICT**

### **Board Members**

City of Auburn

Clifford Vennix, Chairman  
Miles Pike  
Lee Kilbourn

Williams Township

Fred Berg, Secretary/Treasurer  
David Arnold

Municipal Representatives

Agnes Schmidt, Township  
William Reder, City

# **AUBURN-WILLIAMS FIRE PROTECTION DISTRICT**

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**Independent Auditors' Report**

The Administrative Board  
Auburn-Williams Fire Protection District  
Bay County, Michigan


We have audited the accompanying financial statements of the governmental type activities of the Auburn-Williams Fire Protection District, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the management of the Auburn-Williams Fire Protection District. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental type activities of the Auburn-Williams Fire Protection District, as of December 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in footnote 8, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of December 31, 2004.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The management discussion and analysis and budgetary comparison schedule listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Burnside & Lang, P.C.  
March 18, 2005

**AUBURN-WILLIAMS FIRE PROTECTION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
For the Year Ending December 31, 2004**

This document is required by GASBS No. 34 and 37 as part of the Auburn-Williams Fire Protection District's (the "District") basic financial statements. The purpose of this document is to provide a narrative overview and discussion of the financial activities of the District for the period covered by the financial statements.

The MD&A is specifically designed to: 1) assist the financial statement reader in focusing on significant financial issues; 2) provide a broad scope overview of the District's financial activities; 3) identify and explain changes in the District's financial position from 2003 to 2004; and 4) highlight any individual funding source issues or concerns.

Since the MD&A is designed to present basic financial information in a narrative, executive summary format, the reader is encouraged to consider the information presented here in conjunction with the District's audited financial statements.

Questions concerning any of the information provided in this report or request for additional information should be addressed to Mr. Clifford Vennix, Chairman, Auburn-Williams Fire District, 1090 W. Midland Road, Auburn, MI 48611.

This MD&A is intended to serve as an introduction to the District's basic financial statements. The District is a special-purpose government agency engaged in governmental-type activities. The District provides fire fighting, medical and rescue services to residents and visitors to the City of Auburn and Williams Charter Township, Bay County, Michigan.

As a special-purpose government agency, only fund financial statements are presented as the basic financial statements and are comprised of two components: 1) fund financial statements and 2) a series of notes to the financial statements. These provide information about the activities of the District as a whole and present a longer-term view of the District's finances. This report also contains other supplemental information in addition to the basic financial statements themselves.

**The District as a Whole**

The Statement of Net Assets and the Statement of Activities report information about the District as a whole in a way that helps the reader determine whether the District's financial position changed substantially from the prior year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## **Financial Highlights**

- District's assets exceed its liabilities by \$815,272
- Net assets increased by \$72,881
- Revenues increased \$58,784 to \$279,830
- Operating expenses increased \$43,540 to \$206,949

## **Fund Financial Statements**

The District's financial resources are reported in a governmental fund. Accounts are grouped into funds to maintain control over money that is for specific purposes, activities or objectives. The District, like other agencies operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements.

## **Using this Annual Report**

The District's annual report consists of financial statements that combine information about its current funds. External auditors provide an opinion that the District's financial statements are fairly stated. An independent auditors' report is located immediately before the MD&A. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

## **Reporting the District's Funds**

The District's financial statements provide detailed information about the District's funds. The District establishes funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The focus of funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator. The evaluated statements include the Governmental Fund Balance Sheet/Statement of Net Assets and Statements of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities.

**Statement of Net Assets** reports the District's current cash assets with its capital assets, buildings and apparatus for example, and its long term debt obligations to demonstrate whether the District has the wherewithal to meet upcoming financial obligations. One can think of the District's net assets (the difference between assets and liabilities) as one way to measure the District's financial health or financial position. Over time, increases and decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

Major items affecting the Statement of Net Assets this year include accruing \$50,000 in grant pledges toward the future purchase of fire apparatus. Additionally, the 2004 financial statements present for the first time accumulated depreciation as part of the District's financial statements due to changes in accounting standards for governmental agencies.

**Statement of Activities** reports the District's income and where it came from. It also compares how much money was spent in relation to how much was received.

The Statement of Activities reflects an increase in revenue as the result of grant revenue. Expenses increased by 7.6% due largely to increases in maintenance expenses for equipment, apparatus, and the building. The combination of an increase in revenue and expenses resulted in an increase in net income of \$46,385 over the prior year.

### **Economic Factors**

The District depends on the City of Auburn and Williams Charter Township for its funding. The 2005 budget has already been approved and no major changes are expected.

Capital funds reflect a long term budget to replace and improve buildings, apparatus and equipment. Funds available are in line with that budget.

Significant economic factors affecting the district include:

- Population growth in the municipalities it serves
- Inflationary pressure on utility rates, supplies and other costs
- Availability of grant income from many sources including FEMA and local foundations



**AUBURN-WILLIAMS FIRE PROTECTION DISTRICT**  
**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS**  
**December 31, 2004**

**Exhibit 1**

	<b>General Fund Modified Accrual Basis</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 161,895	\$ -	\$ 161,895
Accounts receivable	250	-	250
Contributions receivable	50,000	-	50,000
Prepaid expenses	5,628	-	5,628
Capital assets, net	-	597,812	597,812
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 217,773	\$ 597,812	\$ 815,585
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>			
Accounts payable	\$ 313	\$ -	\$ 313
	<hr/>	<hr/>	<hr/>
Total Liabilities	313	-	313
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE/NET ASSETS</b>			
Fund balance			
Reserved - prepaid expenses	5,628	(5,628)	-
Unreserved:			
Designated - equipment purchases	121,177	(121,177)	-
Undesignated	90,655	(90,655)	-
	<hr/>	<hr/>	<hr/>
Total Fund Balance	217,460	(217,460)	-
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 217,773		
	<hr/>		
Net Assets			
Invested in capital assets		597,812	597,812
Unrestricted		217,460	217,460
		<hr/>	<hr/>
Total Net Assets		\$ 815,272	\$ 815,272
		<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

**AUBURN-WILLIAMS FIRE PROTECTION DISTRICT**  
**STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2004**

	<u>Special Revenue</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Municipal income	\$ 187,450	\$ -	\$ 187,450
Interest income	1,151	-	1,151
Other	91,229	-	91,229
	<hr/>	<hr/>	<hr/>
Total revenues	279,830	-	279,830
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Emergency runs	21,150	-	21,150
Insurance	18,160	-	18,160
Bookkeeping	8,400	-	8,400
Audit	2,393	-	2,393
Operating supplies	60,729	-	60,729
Fire/Medical training	9,235	-	9,235
Utilities	14,159	-	14,159
Truck and engine maintenance	9,350	-	9,350
Building maintenance	11,589	-	11,589
Member medical	3,290	-	3,290
Capital outlay	17,275	(17,275)	-
Depreciation	-	48,494	48,494
	<hr/>	<hr/>	<hr/>
Total expenditures	175,730	31,219	206,949
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	104,100	(31,219)	72,881
	<hr/>	<hr/>	<hr/>
Fund balance/Net assets, beginning of year	113,360	629,031	742,391
	<hr/>	<hr/>	<hr/>
Fund balance/Net assets, end of year	<u>\$ 217,460</u>	<u>\$ 597,812</u>	<u>\$ 815,272</u>

The accompanying notes are an integral part of the financial statements.

**AUBURN-WILLIAMS FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Auburn-Williams Fire Protection District (the "District") conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

**A. Reporting Entity**

The District operates under a joint agreement created by the City of Auburn and Williams Township in Bay County, Michigan. The agreement was created in 1980 to form a fire protection district comprising the entire area of these two governmental units. The District is governed by an Administrative Board with each unit of government appointing three members to the Board whose terms shall be from two to six years. Consequently, the District's ability to provide services is dependent upon the continued support of these two units of government.

The District has implemented GASB Statement No. 14, *The Financial Reporting Entity* and *Statement of Michigan Governmental Accounting and Auditing No. 5*, which defines the reporting of primary government and component unit activities. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of financial responsibility over such agencies by the governmental unit's elected officials, the selection of the governing authority, the designation of management, or the ability to exert significant influence on operations.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**AUBURN-WILLIAMS FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities, and Net Assets**

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

All receivables are shown net of allowance for uncollectible accounts, if any.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net assets. Capital assets are defined by their government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Equipment	3-20 years
Vehicles	20 years

Fund Balance

The District reports reservations of its fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**AUBURN-WILLIAMS FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Compensated Absences

The District does not have any vacation, sick time or other benefits, which meet the requirements for recording compensated absences. Accordingly, no liability has been recorded for compensated absences.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the fund level. During the year, the District operated within its approved budget.

Credit Card Policy

The governing body of the District has not adopted by resolution a credit card policy as prescribed by the State of Michigan.

Compliance with State of Michigan Enabling Legislation

Management has learned the organizational document(s) for formation of the District do not conform with the State of Michigan's enabling legislation. Management has written a new agreement, which it plans to present to the City of Auburn and Williams Charter Township for their approval in 2005.

**NOTE 3. DEPOSITS AND CASH EQUIVALENTS**

Michigan Compiled Laws, Section 129.91, authorizes the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The District is allowed to invest in bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal direct investment by local units of government in Michigan.

The District's deposits and investments are in accordance with statutory authority.

**AUBURN-WILLIAMS FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 3. DEPOSITS AND CASH EQUIVALENTS (Continued)**

Cash and Cash Equivalents, as of December 31, 2004, consist of cash in bank checking, savings, and certificates of deposit accounts totaling \$174,065, which is entirely covered by federal deposit insurance. The book value of these deposits at December 31, 2004 was \$161,895.

**NOTE 4. RELATED PARTY TRANSACTIONS**

The District paid \$21,150 to the Auburn-Williams Fire Department for fire run costs during the year ended December 31, 2004. The District also paid \$8,400 for bookkeeping services to Great Lakes, Inc., which is a business owned by the Assistant Secretary/Treasurer.

**NOTE 5. CAPITAL ASSETS**

Capital asset activity of the District for the current year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets Being Depreciated				
Buildings	\$ 411,946	\$ -	\$ -	\$ 411,946
Equipment	48,041	17,275	-	65,316
Vehicles	589,979	-	-	589,979
Subtotal	<u>1,049,966</u>	<u>17,275</u>	<u>-</u>	<u>1,067,241</u>
Less Accumulated Depreciation for				
Buildings	195,674	10,299	-	205,973
Equipment	20,719	8,696	-	29,415
Vehicles	204,542	29,499	-	234,041
Subtotal	<u>420,935</u>	<u>48,494</u>	<u>-</u>	<u>469,429</u>
Net Capital Assets Being Depreciated	<u>629,031</u>	<u>(31,219)</u>	<u>-</u>	<u>597,812</u>
Governmental Activities Capital Assets – Net of Depreciation	<u>\$ 629,031</u>	<u>\$ (31,219)</u>	<u>\$ -</u>	<u>\$ 597,812</u>

**NOTE 6. ECONOMIC DEPENDENCY**

Revenue appropriations from the City of Auburn and Williams Township during the year ended December 31, 2004, represented approximately 67% of the District's total revenue. The revenue amounts of each governmental unit are determined on a proportional basis with City of Auburn contributing 30% and Williams Township contributing 70% of the appropriated revenue.

**AUBURN-WILLIAMS FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004**

**NOTE 7. RISK MANAGEMENT**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and workplace injuries (workers compensation). The District purchases commercial insurance to cover the risks of these losses. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage.

**NOTE 8. IMPLEMENTATION OF NEW ACCOUNTING STANDARD**

As of and for the year ended December 31, 2004, the District implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; financial statements prepared using the economic resources measurement focus and the accrual basis of accounting; and adjustments to reconcile modified accrual financial statements to full accrual financial statements.

**AUBURN-WILLIAMS FIRE PROTECTION DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended December 31, 2004**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>(Over) Under Budget</b>
<b>REVENUES</b>				
Municipal income	\$ 187,450	\$ 187,450	\$ 187,450	\$ -
Interest income	-	378	1,151	(773)
Other	-	45,427	91,229	(45,802)
Total revenues	<u>187,450</u>	<u>233,255</u>	<u>279,830</u>	<u>(46,575)</u>
<b>EXPENDITURES</b>				
Emergency runs	32,600	32,600	21,150	11,450
Insurance	18,000	18,000	18,160	(160)
Bookkeeping	8,400	8,400	8,400	-
Audit	2,500	2,500	2,393	107
Operating supplies	25,700	38,125	60,729	(22,604)
Fire/medical training	5,750	5,750	9,235	(3,485)
Utilities	14,000	14,000	14,159	(159)
Truck and engine maintenance	6,300	6,300	9,350	(3,050)
Building maintenance	11,950	11,950	11,589	361
Member medical	5,250	5,250	3,290	1,960
Miscellaneous	2,000	2,000	-	2,000
Capital outlay	55,000	42,575	17,275	25,300
Total expenditures	<u>187,450</u>	<u>187,450</u>	<u>175,730</u>	<u>11,720</u>
Excess of revenues over expenditures	-	45,805	104,100	<u>\$ (58,295)</u>
Fund balance, beginning of year	<u>113,360</u>	<u>113,360</u>	<u>113,360</u>	
Fund balance, end of year	<u>\$ 113,360</u>	<u>\$ 159,165</u>	<u>\$ 217,460</u>	



March 18, 2005

Members of the Administrative Board  
Auburn-Williams Fire Protection District  
Bay County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of the Auburn-Williams Fire Protection District (the "District"), for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

### **REPORTABLE CONDITIONS**

#### **Credit Card Policy**

Management of the District drafted a credit card policy during the year ended December 31, 2004; however, the governing body has not adopted the policy by resolution as prescribed by rules promulgated by the State of Michigan. We recommend the governing body adopt the credit card policy by resolution as soon as possible to comply with mandates of the State of Michigan.

#### **Compliance with State of Michigan Enabling Legislation**

During the year ended December 31, 2004, management learned the District is not in compliance with State of Michigan enabling legislation for the formation of fire protection districts. In response, an advisory committee was formed to review the District's organizational documents with the City of Auburn and Williams Township in order to make appropriate changes.

## **REPORTABLE CONDITIONS (Continued)**

### **Compliance with State of Michigan Enabling Legislation (Continued)**

The committee produced a draft of a revised organizational document (the "Agreement"). We recommend management have this revised document reviewed by an attorney familiar with fire protection districts, and adopt this attorney reviewed agreement as soon as reasonably possible.

## **OTHER MATTERS**

The following items, although not considered reportable conditions, are matters we believe worthy of your consideration.

### **Financial Oversight**

The general limitations in any smaller municipalities like the Auburn-Williams Fire Protection District requires that Board members continue to remain involved in the financial affairs of the District through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. Our comment here is intended to emphasize the importance of its oversight.

### **Budget Presentation**

The State of Michigan issued a Uniform Budget Manual in August 2001 and Numbered Letter 2001-2, Budget Requirements, in December 2001. The two documents describe the format that must be followed in the presentation and adoption of a budget for a local governmental unit. The District's 2005 budget does not conform to the prescribed format. Therefore, we recommend the personnel responsible for preparing the budget study the two documents noted above and follow the prescribed format for all future budgets of the District.

### **Designations of Fund Balance**

In our comments and recommendations letter dated March 25, 2004, we recommended future designations be put to a vote of the Fire Administrative Board and be specifically identified in the meeting minutes. Ideally, this designation should be made at the January meeting, after the District's financial position is known with some certainty.

Our review of the District's meeting minutes revealed no designations of the organization's fund balance were reported. We again make this recommendation, which will help communicate the Fire Administrative Board's intentions to the City of Auburn and Williams Township.

Auburn/Williams Fire  
Protection District  
March 18, 2005  
Page 3

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the December 31, 2004, financial statements, and this report does not affect our report on those financial statements dated March 18, 2005. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Auburn/Williams Fire Protection District, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script, appearing to read "Burnside & Lang, P.C.", is written over the typed name.

BURNSIDE & LANG, P.C.